

CITY OF WOODBINE

**INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2016

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City of Woodbine

Officials

(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Gau	Mayor	January 2016
Noel Sherer	Council Member	Resigned November 2014
Matt Leaders	Council Member	(Appointed December 2014) January 2016
Randy Vandemark	Council Member	January 2016
Merne Hammitt	Council Member	January 2018
John Kerger	Council Member	January 2018
Jeffrey Killpack	Council Member	January 2018
Kelly Hasner	City Administrator	Indefinite
Stacy Marshall	City Clerk	Indefinite
Todd Argotsinger	Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Gau	Mayor	January 2018
Merne Hammitt	Council Member	January 2018
John Kerger	Council Member	January 2018
Jeffrey Killpack	Council Member	January 2018
David Moores	Council Member	January 2020
Bryan Willis	Council Member	January 2020
Kelly Hasner	City Administrator	Resigned April 2016
Amber Nelson	City Administrator	Appointed April 2016
Stacy Marshall	City Clerk	Indefinite
Todd Argotsinger	Attorney	Indefinite

City of Woodbine



Diane McGrain, CPA
Jim Menard, CPA
Kelsey Peterson, CPA

October 13, 2016

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Woodbine, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Continued...

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit

The financial statements do not include financial data for one of the City's legally separate component units because the Woodbine Municipal Light & Power reports in accordance with U.S. generally accepted accounting principles, a different financial reporting framework than the City's cash basis of accounting. Accounting principles applicable to the cash basis of accounting require the financial data for all component units be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity which include the financial data for all component units. The City has not issued such reporting entity financial statements. The amounts by which the departure would affect the receipts, disbursements and cash balances of the aggregate discretely presented component units have not been determined.

Adverse Opinion

In our opinion, based on our audit and the report of the other auditors, because of the significance of the matter discussed in the *Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units* paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Woodbine as of June 30, 2016, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Woodbine as of June 30, 2016 and the respective changes in the cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Continued.....

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Woodbine's basic financial statements. The supplementary information included in Schedule 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of the City's Contributions on pages 8 through 12, and 31 through 35 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2016 on our consideration of the City of Woodbine's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Woodbine's internal control over financial reporting and compliance.

Schroer & Associates, PC

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Woodbine provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities were approximately \$1,862,000. Property taxes were approximately \$652,000, operating grants were approximately \$270,000, capital grants were approximately \$290,000, and note proceeds were \$200,000.
- Disbursements were approximately \$2,286,000. Public safety, public works and capital projects were approximately \$644,000, \$356,000 and \$626,000, respectively.
- The City's total cash basis net assets decreased 13.2%, or approximately \$385,000 from June 30, 2015 to June 30, 2016. Of this amount, the net position of the governmental activities decreased approximately \$303,000, and the net position of the business type activities decreased approximately \$82,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate Share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and gas. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and gas funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from approximately \$1,391,000 to approximately \$1,088,000. The analysis that follows focuses on the changes in cash basis net position for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30, 2016	Year Ended June 30, 2015
Receipts:		
Program receipts:		
Charges for service	\$ 199	\$ 199
Operating grants, contributions and restricted interest	270	246
Capital grants, contributions and restricted interest	290	3
General receipts:		
Property tax	652	614
Tax increment financing collections	112	186
Local option sales tax	95	90
Grants and contributions not restricted to specific purposes	1	2
Commercial/industrial tax replacement	21	10
Unrestricted interest on investments	1	1
Miscellaneous	21	4
Note proceeds	200	43
Total receipts	<u>1,862</u>	<u>1,398</u>
Disbursements:		
Public safety	644	464
Public works	356	370
Culture and recreation	203	161
Community and economic development	100	81
General government	189	189
Debt service	168	169
Capital projects	626	-
Total disbursements	<u>2,286</u>	<u>1,434</u>
Change in cash basis net position before transfers	(424)	(36)
Transfers, net	<u>121</u>	<u>-</u>
Change in cash basis net position	(303)	(36)
Cash basis net position beginning of year	<u>1,391</u>	<u>1,427</u>
Cash basis net position end of year	<u>\$ 1,088</u>	<u>\$ 1,391</u>

The City's total receipts for governmental activities were approximately \$1,862,000.

The cost of all governmental activities this year was \$2,286,168. However, as shown in the Cash Basis Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was \$1,526,770 because some of the cost was paid by those directly benefited from the programs (\$199,134) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest totaling (\$560,264). The City paid the remaining "public benefit" portion of governmental activities with approximately \$859,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30, 2016	Year Ended June 30, 2015
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 198	\$ 191
Sewer	106	102
Gas	456	606
General receipts:		
Unrestricted interest on investments	2	2
Miscellaneous	31	40
Total receipts	<u>793</u>	<u>941</u>
Disbursements:		
Water	219	173
Sewer	85	49
Gas	450	518
Total disbursements	<u>754</u>	<u>740</u>
Change in cash basis net position before transfers	39	201
Transfers, net	<u>(121)</u>	<u>-</u>
Change in cash basis net position	(82)	201
Cash basis net position beginning of year	<u>1,515</u>	<u>1,314</u>
Cash basis net position end of year	<u>\$ 1,433</u>	<u>\$ 1,515</u>

Total business type activities receipts for the fiscal year were approximately \$793,000. The cash balance decreased by approximately \$82,000 from the prior year. Total disbursements were approximately \$754,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Woodbine completed the year, its governmental funds reported a combined fund balance of \$1,088,879, a decrease of \$301,971 from last year's balance of \$1,390,850. The following are the major reasons for the changes in cash basis fund balances of the major funds from the prior year.

- The General Fund cash balance increased by \$37,836 from the prior year to \$43,289. The increase was primarily due to the payment of internal loans from the Gas Fund, Sewer Fund and Urban Renewal Tax Increment Fund.
- The Road Use Tax Fund cash balance increased by \$51,478 to \$81,616 due to increase in tax rate change by the State of Iowa.
- The Debt Service Fund cash balance increased by \$3,992 from the prior year to \$27,166.
- The Capital Projects Fund decreased \$335,912 from the prior year to \$767,821 due to costs paid for a street construction project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$12,353 to \$473,814 due to receipts exceeding disbursements.
- The Sewer Fund cash balance increased by \$59,063 to \$334,604 due to receipts exceeding disbursements.
- The Gas Fund cash balance decreased by \$153,975 to \$624,307 due to a transfer to the General Fund for an interfund TIF loan.

BUDGETARY HIGHLIGHTS

Receipts were approximately \$768,000 less than budgeted due to additional monies budgeted for charges for services. Disbursements were approximately \$572,000 less than budgeted due to costs budgeted for capital projects.

DEBT ADMINISTRATION

At June 30, 2016, the City had approximately \$1,440,000 in general obligation debt compared to approximately \$1,428,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30,	
	2016	2015
General obligation bonds and notes	\$ 1,240	\$ 1,385
Notes payable	200	43
	<u>\$ 1,440</u>	<u>\$ 1,428</u>

The City's outstanding general obligation debt of \$1,440,000 is below its constitutional debt limit of \$3,200,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Woodbine City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates, and fees charged for various City activities. These include the following:

- Capital project improvements: East Bridge
- Maintenance: Little League ballfield update
- Community beautification: new street lighting
- Focus on fiscal responsibility while transitioning with change in administration at the of fiscal year 2016

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Amber Nelson, City Administrator, 517 Walker, Woodbine, Iowa.

City of Woodbine
Basic Financial Statements

Exhibit A

City of Woodbine Cash Basis Statement of Activities and Net Position As of and for the year ended June 30, 2016

					Net (Disbursement) Receipts and Changes in Cash Basis Net Position		
		Program Receipts					
		Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest				
	Disbursements	Charges for Service	Interest	Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Public safety	\$ 644,118	122,662	36,196	-	(485,260)	-	(485,260)
Public works	356,172	49,999	180,302	-	(125,871)	-	(125,871)
Culture and recreation	202,623	18,908	16,646	-	(167,069)	-	(167,069)
Community and economic development	99,841	-	-	-	(99,841)	-	(99,841)
General government	188,639	7,565	36,787	-	(144,287)	-	(144,287)
Debt service	168,530	-	-	-	(168,530)	-	(168,530)
Capital projects	626,245	-	-	290,333	(335,912)	-	(335,912)
Total governmental activities	2,286,168	199,134	269,931	290,333	(1,526,770)	-	(1,526,770)
Business type activities:							
Water	219,293	198,088	-	-	-	(21,205)	(21,205)
Sewer	85,485	106,186	-	-	-	20,701	20,701
Gas	450,475	455,705	-	-	-	5,230	5,230
Total business type activities	755,253	759,979	-	-	-	4,726	4,726
	\$ 3,041,421	959,113	269,931	290,333	(1,526,770)	4,726	(1,522,044)
General Receipts:							
Property and other tax levied for:							
General purposes					485,530	-	485,530
Debt service					166,708	-	166,708
Tax increment financing collections					111,807	-	111,807
Local option sales tax					94,700	-	94,700
Commercial/industrial tax replacement					21,453	-	21,453
Grants and contributions not restricted to specific purpose					1,468	-	1,468
Unrestricted interest on investments					861	2,746	3,607
Miscellaneous					-	31,225	31,225
Note proceeds					200,000	-	200,000
Sale of capital assets					21,016	-	21,016
Transfers					121,256	(121,256)	-
Total general receipts and transfers					1,224,799	(87,285)	1,137,514
Change in cash basis net position					(301,971)	(82,559)	(384,530)
Cash basis net position beginning of year					1,390,850	1,515,284	2,906,134
Cash basis net position end of year					\$ 1,088,879	1,432,725	2,521,604
Cash Basis Net Position							
Restricted:							
Expendable:							
Streets					81,616	-	81,616
Debt service					27,166	-	27,166
Capital projects					767,821	-	767,821
Other purposes					168,987	-	168,987
Unrestricted					43,289	1,432,725	1,476,014
Total cash basis net position					\$ 1,088,879	1,432,725	2,521,604

See notes to financial statements

City of Woodbine
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2016

		Special Revenue			Other Nonmajor Governmental	
	General	Road Use Tax	Debt Service	Capital Projects	Funds	Total
Receipts:						
Property tax	\$ 372,599	-	166,708	-	107,217	646,524
Tax increment financing collections	-	-	-	-	111,807	111,807
Other city tax	5,714	-	-	-	94,700	100,414
Licenses and permits	2,415	-	-	-	-	2,415
Use of money and property	6,055	-	-	2,054	5	8,114
Intergovernmental	25,830	180,302	5,814	279,300	10,460	501,706
Charges for service	85,969	-	-	-	95,351	181,320
Miscellaneous	53,631	-	-	8,979	27,015	89,625
Total receipts	552,213	180,302	172,522	290,333	446,555	1,641,925
Disbursements:						
Operating:						
Public safety	544,285	-	-	-	99,833	644,118
Public works	227,348	128,824	-	-	-	356,172
Culture and recreation	202,623	-	-	-	-	202,623
Community and economic development	34,239	-	-	-	65,602	99,841
General government	149,711	-	-	-	38,928	188,639
Debt service	-	-	168,530	-	-	168,530
Capital projects	-	-	-	626,245	-	626,245
Total disbursements	1,158,206	128,824	168,530	626,245	204,363	2,286,168
Excess (deficiency) of receipts over (under) disbursements	(605,993)	51,478	3,992	(335,912)	242,192	(644,243)
Other financing sources (uses):						
Sale of general fixed assets	21,016	-	-	-	-	21,016
Note proceeds	200,000	-	-	-	-	200,000
Transfers in	422,813	-	-	-	-	422,813
Transfers out	-	-	-	-	(301,557)	(301,557)
Total other financing other financing sources (uses)	643,829	-	-	-	(301,557)	342,272
Net change in cash balances	37,836	51,478	3,992	(335,912)	(59,365)	(301,971)
Cash balances beginning of year	5,453	30,138	23,174	1,103,733	228,352	1,390,850
Cash balances end of year	\$ 43,289	81,616	27,166	767,821	168,987	1,088,879
Cash Basis Fund Balances						
Restricted for:						
Streets	-	81,616	-	-	-	81,616
Debt service	-	-	27,166	-	-	27,166
Capital projects	-	-	-	767,821	-	767,821
Other purposes	-	-	-	-	168,987	168,987
Unassigned	43,289	-	-	-	-	43,289
Total cash basis fund balances	\$ 43,289	81,616	27,166	767,821	168,987	1,088,879

See notes to financial statements

City of Woodbine
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2016

	Enterprise Funds			
	Water	Sewer	Gas	Total
Operating receipts:				
Charges for service	\$ 198,088	106,186	455,705	759,979
Operating disbursements:				
Business type activities	199,493	85,485	450,475	735,453
Excess (deficiency) of operating receipts over (under) operating disbursements	(1,405)	20,701	5,230	24,526
Non-operating receipts (disbursements):				
Interest on investments	6	6	2,734	2,746
Miscellaneous	1,680	6,484	23,061	31,225
Capital projects	(19,800)	-	-	(19,800)
Total non-operating receipts (disbursements)	(18,114)	6,490	25,795	14,171
Excess (deficiency) of receipts over (under) disbursements	(19,519)	27,191	31,025	38,697
Other financing sources (uses):				
Transfers in	31,872	31,872	-	63,744
Transfers out	-	-	(185,000)	(185,000)
Total other financing sources (uses)	31,872	31,872	(185,000)	(121,256)
Change in cash balances	12,353	59,063	(153,975)	(82,559)
Cash balances beginning of year	461,461	275,541	778,282	1,515,284
Cash balances end of year	\$ 473,814	334,604	624,307	1,432,725
Cash Basis Fund Balances				
Unrestricted	\$ 473,814	334,604	624,307	1,432,725

See notes to financial statements

City of Woodbine

City of Woodbine
Notes to Financial Statements
June 30, 2016

NOTE (1) Summary of Significant Accounting Policies

The City of Woodbine is a political subdivision of the State of Iowa located in Harrison County. It was first incorporated in 1867 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and gas utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Woodbine has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Except as noted, these financial statements present the City of Woodbine (the primary government) and its component units. The financial statements do not include financial data for the Woodbine Municipal Light and Power, a legally separate entity which should be reported as a discretely presented component unit. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Unit

Woodbine Fire and Rescue (Association) is a nonprofit organization. The Association exists to protect human life and property through fighting fires and providing community education in fire prevention and first aid/safety practices. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Association meets the definition of a component unit which should be blended. Based on these criteria, the Association is legally separate from the City, but is so intertwined with the City it is in substance the same as the City. The Association is reported as part of the City and blended as a Special Revenue Fund of the City.

City of Woodbine
Notes to Financial Statements
June 30, 2016

NOTE (1) Summary of Significant Accounting Policies – Continued

Excluded Component Unit

The Woodbine Municipal Light and Power was established under Chapter 388 of the Code of Iowa to operate the City's electricity utility. The Municipal Utility is governed by a three member board appointed by the Mayor and approved by the City Council. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Municipal Utility meets the definition of a component unit which should be discretely presented. Financial statements for the Municipal Utility were prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles but are not included in the City's financial statements since the City prepares its financial statements on the cash basis. Complete financial statements can be obtained from Woodbine Municipal Light and Power, Woodbine, Iowa.

Jointly Governed Organizations

The City participates in jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City representatives are members of the following commissions: Harrison County Landfill Commission, Harrison County Emergency Management Commission, and the Public Energy Facilities Authority.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position often have constraints on resources imposed by management, which can be removed or modified.

City of Woodbine
Notes to Financial Statements
June 30, 2016

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies, and other receipts not allocated by law or contractual agreement to some other fund, are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long term debt.

The Capital Projects Fund is used to account for all resources used in the construction of capital facilities with the exception of those that are financed through enterprise funds.

City of Woodbine
Notes to Financial Statements
June 30, 2016

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

The Enterprise, Gas Fund accounts for the operation and maintenance of the City's gas system.

C. Measurement Focus and Basis of Accounting

The City of Woodbine maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

City of Woodbine
Notes to Financial Statements
June 30, 2016

NOTE (1) Summary of Significant Accounting Policies - Continued

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in public safety, public works, culture and recreation, community and economic development, and general government functions.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2014, to compute the amounts which became liens on property on July 1, 2015. These taxes were due and payable in two installments on September 30, 2015 and March 31, 2016, at the Harrison County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$2,521,604 at June 30, 2016.

City of Woodbine
Notes to Financial Statements
June 30, 2016

NOTE (2) Cash and Pooled Investments - Continued

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

NOTE (3) Notes Receivable

The City of Woodbine approved consumer financing for gas efficient furnaces, water heaters, gas log fireplaces, and gas dryers for 90% of cost, up to \$2,000. Consumers repay the loans over a 5 year period at zero interest rates through a monthly charge included on their utility billings. Financing transactions during the current fiscal year are as follows:

Beginning balance	\$ 29,808
Amounts financed	9,992
Payments received	<u>(15,648)</u>
Ending balance	\$ <u>24,152</u>

NOTE (4) Bonds and Notes Payable

Annual debt service requirements to maturity of long term debt is as follows:

Year Ending June 30,	General Obligation Notes		Fire Equipment Note		Fire Equipment Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 150,000	21,480	\$ 8,274	1,218	\$ 38,761	4,360
2018	150,000	19,980	8,564	929	39,921	3,201
2019	150,000	18,105	8,864	629	41,114	2,007
2020	150,000	15,930	9,253	319	42,344	778
2021	155,000	13,455	-	-	3,446	8
2022-2024	485,000	21,459	-	-	-	-
	<u>\$ 1,240,000</u>	<u>110,409</u>	<u>\$ 34,955</u>	<u>3,095</u>	<u>165,586</u>	<u>10,354</u>

Interest costs paid during the year ended June 30, 2016 totaled \$29,222.

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$3,200,000 which was not exceeded during the year ended June 30, 2016.

City of Woodbine
Notes to Financial Statements
June 30, 2016

NOTE (5) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but no more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

City of Woodbine
Notes to Financial Statements
June 30, 2016

NOTE (5) Pension Plan - Continued

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2016 were \$39,236.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City's liability for its proportionate share of the net pension liability totaled \$183,347. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.0037111%, which was a decrease of 0.000260% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$21,222, \$52,731 and \$71,378 respectively.

There were no non-employer contributing entities to IPERS.

City of Woodbine
Notes to Financial Statements
June 30, 2016

NOTE (5) Pension Plan - Continued

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation	(effective June 30, 2014)	3.00% per annum.
Rates of salary increases	(effective June 30, 2010)	4.00 - 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return	(effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth	(effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit Opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

City of Woodbine
Notes to Financial Statements
June 30, 2016

NOTE (5) Pension Plan - Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 397,282	\$ 183,347	\$ 2,866

IPERS' Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

NOTE (6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation benefits payable to employees at June 30, 2016, primarily relating to the General Fund, is \$11,476. This liability is computed based on rates of pay as of June 30, 2016.

City of Woodbine
Notes to Financial Statements
June 30, 2016

NOTE (7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General:	Special Revenue:	
	Urban Renewal Tax Increment	\$ 45,866
	Woodbine Fire and Rescue	86,947
	Local Option Sales Tax	105,000
	Enterprise:	
	Gas	<u>185,000</u>
		422,813
Enterprise: Water	Special Revenue: Urban Renewal Tax Increment	31,872
Enterprise: Sewer	Special Revenue: Urban Renewal Tax Increment	<u>31,872</u>
		<u>\$ 486,557</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

NOTE (8) Risk Management

The City of Woodbine is exposed to various risks of loss related to torts: theft, damage to and destruction of assets; errors and omission; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liabilities for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE (9) Urban Renewal Tax Increment Financing Development Agreements

Brookview Development Agreement

In March 2000, the City entered into an agreement with Brookview Development. The developer agreed to provide improvements to certain property within the City's Urban Renewal Area for the purpose of constructing housing units. In exchange, the City agreed to make urban renewal increment tax payments to the Developer semi-annually of eligible costs of approximately \$184,044. If tax increment financing collections are available, these payments will be made December 1 and June 1 of each fiscal year, beginning December 1, 2002 and continue for nine fiscal years or until the total has been paid. The City shall retain 37.29% of the urban renewal tax increment revenue for the purpose of providing assistance to low and moderate income (LMI) families, and pay the remaining 62.71% to the developer. The City paid the developer \$5,346 during the year.

City of Woodbine
Notes to Financial Statements
June 30, 2016

NOTE (9) Urban Renewal Tax Increment Financing Development Agreements - continued

Woodbine Industrial Park Urban Renewal Plan

In January 2012, the City amended the urban renewal plan that was established for economic development of the Industrial Park by deleting the expiration date. The urban renewal plan shall remain in effect until repealed by the City Council. During the year ended June 30, 2016, the City repaid the Water Fund \$31,872 and the Sewer Fund \$31,872, with a transfer from the Urban Renewal Tax Increment Fund for costs that had been incurred and certified as an internal borrowing.

Woodbine Bus Brown Drive Urban Renewal Area

In July 2012, the City entered into a development agreement with Woodbine Manufacturing. The City agreed to pay tax increment payments not exceeding \$800,000. During the year the City paid the developer \$34,024.

Woodbine 410 Walker Urban Renewal Area

The City has entered into various development agreements totaling \$421,866. The developers agreed to undertake the redevelopment and renovation of historical buildings. The City agreed to provide tax increment payments to reimburse the costs. The City paid the developers \$62,054 during the year.

Woodbine Rose Court

In December 2015, the City entered into a development agreement with Rose Court. The City agreed to pay tax increment payments not exceeding \$325,000.

NOTE (10) Commitments

The City has an engineer contract commitment totaling \$3,301 for a bridge project, and a construction contract commitment of \$409,000 on that project.

NOTE (11) New Accounting Pronouncement

The City adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

Other Information

City of Woodbine
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Other Information
 Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final To Net Variance
					Original	Final	
Receipts:							
Property tax	\$ 646,524	-	-	646,524	637,088	637,088	9,436
Tax increment financing collections	111,807	-	-	111,807	180,000	390,118	(278,311)
Other city tax	100,414	-	-	100,414	101,000	101,000	(586)
Licenses and permits	2,415	-	-	2,415	5,500	5,500	(3,085)
Use of money and property	8,114	2,746	5	10,855	6,500	6,500	4,355
Intergovernmental	501,706	-	6,947	494,759	534,244	541,244	(46,485)
Charges for service	181,320	759,979	95,351	845,948	1,188,500	1,278,500	(432,552)
Miscellaneous	89,625	31,225	27,015	93,835	115,000	115,000	(21,165)
Total receipts	1,641,925	793,950	129,318	2,306,557	2,767,832	3,074,950	(768,393)
Disbursements:							
Public safety	644,118	-	27,725	616,393	238,610	583,610	(32,783)
Public works	356,172	-	-	356,172	279,740	329,740	(26,432)
Culture and recreation	202,623	-	-	202,623	163,040	163,040	(39,583)
Community and economic development	99,841	-	-	99,841	98,000	98,000	(1,841)
General government	188,639	-	-	188,639	158,305	180,305	(8,334)
Debt service	168,530	-	-	168,530	170,000	170,000	1,470
Capital projects	626,245	-	-	626,245	440,000	1,029,571	403,326
Business type activities	-	755,253	-	755,253	1,002,020	1,032,020	276,767
Total disbursements	2,286,168	755,253	27,725	3,013,696	2,549,715	3,586,286	572,590
Excess (deficiency) of receipts over (under) disbursements	(644,243)	38,697	101,593	(707,139)	218,117	(511,336)	(195,803)
Other financing sources, net	342,272	(121,256)	(86,947)	307,963	-	200,000	107,963
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(301,971)	(82,559)	14,646	(399,176)	218,117	(311,336)	(87,840)
Balances beginning of year	1,390,850	1,515,284	29,009	2,877,125	2,835,549	2,835,549	41,576
Balances end of year	\$ 1,088,879	1,432,725	43,655	2,477,949	3,053,666	2,524,213	(46,264)

See accompanying independent auditor's report

City of Woodbine
Notes to Other Information – Budgetary Reporting
June 30, 2016

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$1,036,571. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, community and economic development, and general government functions.

City of Woodbine
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
For the Last Two Years
(In Thousands)
Other Information

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.003711%	0.003968%
City's proportionate share of the net pension liability	\$ 183	157
City's covered-employee payroll	\$ 400	432
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	45.75%	36.34%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditors' report

City of Woodbine
Schedule of City Contributions
Iowa Public Employees' Retirement System
For the Last Eight Years
(In Thousands)
Other Information

	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	\$ 39	37	40	36	31	28	25	25
Contributions in relation to the statutorily required contribution	39	37	40	36	31	28	25	25
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 426	400	432	393	368	350	340	360
Contributions as a percentage of covered-employee payroll	9.21%	9.30%	9.39%	9.14%	8.57%	7.92%	7.34%	7.02%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditors' report

City of Woodbine
Notes to Other Information – Pension Liability
Year ended June 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Supplementary Information

City of Woodbine
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2016

	Special Revenue				
	Employee Benefits	Local Option Sales Tax	Urban Renewal Tax Increment	Woodbine Fire and Rescue	Total
Receipts:					
Property tax	\$ 107,217	-	-	-	107,217
Tax increment financing collections	-	-	111,807	-	111,807
Other city tax	-	94,700	-	-	94,700
Use of money and property	-	-	-	5	5
Intergovernmental	3,513	-	-	6,947	10,460
Charges for service	-	-	-	95,351	95,351
Miscellaneous	-	-	-	27,015	27,015
Total receipts	110,730	94,700	111,807	129,318	446,555
Disbursements:					
Operating:					
Public safety	72,108	-	-	27,725	99,833
Community and economic development	-	-	65,602	-	65,602
General government	38,928	-	-	-	38,928
Total disbursements	111,036	-	65,602	27,725	204,363
Excess (deficiency) of receipts over (under) disbursements	(306)	94,700	46,205	101,593	242,192
Other financing uses:					
Operating transfers out	-	(105,000)	(109,610)	(86,947)	(301,557)
Net change in cash balances	(306)	(10,300)	(63,405)	14,646	(59,365)
Cash balances beginning of year	306	14,679	184,358	29,009	228,352
Cash balances end of year	\$ -	4,379	120,953	43,655	168,987
Cash Basis Fund Balances					
Restricted for other purposes	\$ -	4,379	120,953	43,655	168,987

See accompanying independent auditor's report

Schedule 2

City of Woodbine
Schedule of Indebtedness
Year ended June 30, 2016

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds:									
Corporate purpose and refunding	Jun 8, 2012	1.00-2.25%	1,790,000	\$ 1,385,000	-	145,000	1,240,000	22,930	-
Note payable - fire equipment	Dec 9, 2014	3.50%	43,270	43,270	-	8,315	34,955	1,178	-
Note payable - fire equipment	Jul 27, 2015	2.95%	200,000	-	200,000	34,414	165,586	5,114	-

See accompanying independent auditor's report

City of Woodbine
Bond Maturities
June 30, 2016

Year Ending June 30,	General Obligation Bonds	
	Corporate Purpose and Refunding	
	Issued Jun 8, 2012	
	Interest Rates	Amount
2017	1.00%	\$ 150,000
2018	1.25%	150,000
2019	1.45%	150,000
2020	1.65%	150,000
2021	1.95%	155,000
2022	1.95%	160,000
2023	2.25%	160,000
2024	2.25%	165,000
		<u>\$ 1,240,000</u>

See accompanying independent auditor's report.

City of Woodbine



Diane McGrain, CPA
Jim Menard, CPA
Kelsey Peterson, CPA

October 13, 2016

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit Performed
in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Woodbine, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 13, 2016. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the Woodbine Municipal Light and Power.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Woodbine's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Woodbine's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Woodbine's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

Continued...

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City of Woodbine
Independent Auditor's Report on
Internal Control and Compliance

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Woodbine's financial statements will not be prevented or detected and corrected on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Woodbine's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-16 through I-C-16 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Woodbine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Woodbine's Responses to the Findings

City of Woodbine's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Woodbine's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Woodbine during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schroer & Associates, P.C.

City of Woodbine
Schedule of Findings
Year Ended June 30, 2016

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-16 Segregation of Duties

Comment – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one of the City's employees has control over cash receipts listing, depositing, posting and reconciling.

One person has control over depositing, check writing, posting, and reconciling for the Library.

One person has control over depositing, check writing, posting, and reconciling for Woodbine Fire and Rescue.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City, the Library and Woodbine Fire and Rescue should review operating procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate alternative procedures.

Conclusion – Response acknowledged.

I-B-16 Financial Reporting

Comment – During the audit, we identified mispostings to the General Fund of debt service, capital projects, and road use disbursements. We also noted cashed investments reported as income. Adjustments were subsequently made by the City to properly report these amounts in the City's financial statements.

Recommendation – The City should implement procedures to code disbursements to the proper funds and record transfers between investment and bank accounts properly in the City's financial statements.

Response – We will review our account numbers for proper posting.

Conclusion – Response accepted.

City of Woodbine
Schedule of Findings
Year Ended June 30, 2016

Part I: Findings Related to the Financial Statements (Continued):

INTERNAL CONTROL DEFICIENCIES - (Continued)

I-C-16 Separate Board

Comment – The library board maintains the accounting records pertaining to the operations of the library. These transactions and the resulting balances are not recorded in the Clerk's records as required by Code of Iowa Chapter 384.20.

Recommendation – Chapter 384.20 of the Code of Iowa states in part that, "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purposes." An accounting system for each board which will provide the necessary and required financial information should be implemented to comply with this code requirement. For better accountability, financial and budgetary control, the financial activity and balances of all city accounts should be reviewed at the transaction level and recorded in the Clerk's records.

Response – The library board does submit quarterly financial reports to the city. This triggers the City to make the quarterly payment to the library. We will consider recording the transactions in the Clerk's records.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Woodbine
Schedule of Findings
Year Ended June 30, 2016

Part II: Other Findings Related to Statutory Reporting:

II-A-16 Certified Budget

Comment – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the public safety, public works, culture and recreation, community and economic development, and general government functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-B-16 Entertainment Expense – We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-16 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-16 Business Transactions

We noted no business transactions between the City and City officials or employees.

II-E-16 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-16 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-16 Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-H-16 Revenue Bonds and Notes

The City does not have revenue debt.

City of Woodbine
Schedule of Findings
Year Ended June 30, 2016

Part II: Other Findings Related to Statutory Reporting (continued):

II-I-16 Excess Balance

Comment – The balances in the Enterprise Funds – Water and Sewer at June 30, 2016 were in excess of each fund's disbursements during the year.

Recommendation – The City should consider the necessity of maintaining the substantial balances, and where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response – The excess balances are considered necessary for the payment of future project costs and potential system issues.

Conclusion – Response accepted.

II-J-16 Annual Urban Renewal Report

The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.